

Message Text

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STATE FOR PA/PRESS, ICA FOR PGM/PPO - CARL,
DEPARTMENT PASS NSC FOR DR. BRZEZINSKI, WHITE HOUSE
FOR MR. POWELL, TREASURY FOR EV MUNSEY

E.O. 11652: N/A
TAGS: EFIN, OECD, EC
SUBJECT: SECRETARY BLUMENTHAL, CHAIRMAN SCHULTZE
PRESS CONFERENCE AT OECD
.1. HERewith, TRANSCRIPT OF PRESS CONFERENCE HELD
BY SECRETARY OF TREASURY BLUMENTHAL AND CEA CHAIRMAN
SCHULTZE AT THE OECD AFTER CONCLUSION OF SECOND DAY
OF MINISTERIAL MEETING JUNE 15:

MR. LEVINE, PUBLIC AFFAIRS OFFICER, USOECD:

-- "ALL RIGHT, LET'S GET STARTED. SECRETARY OF
STATE VANCE IS NOT HERE TONIGHT. HE HAS A VERY
HEAVY COLD AND CAN'T TALK VERY MUCH. I AM VERY
SORRY. BUT WE DO HAVE SECRETARY OF TREASURY
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MICHAEL BLUMENTHAL ON MY IMMEDIATE LEFT AND THE
CHAIRMAN OF THE COUNCIL OF ECONOMIC ADVISERS, CHARLES
SCHULTZE TO HIS LEFT.

SECRETARY BLUMENTHAL:

-- "YES, I MIGHT SAY LADIES AND GENTLEMEN BY WAY OF

INTRODUCTION THAT WE ARE SATISFIED WITH THE OUTCOME OF THIS MEETING AFTER TWO DAYS OF WIDE-RANGING DISCUSSIONS ON ALL OF THE FUNDAMENTAL INTERNATIONAL ECONOMIC ISSUES. AS YOU KNOW, WE ATTACH VERY GREAT IMPORTANCE AND HIGH VALUE TO THE OECD AS THE PRINCIPAL ORGANIZATION IN WHICH THE INDUSTRIALIZED DEMOCRACIES CONSULT AND COORDINATE THEIR ECONOMIC POLICIES. WE ARE IN A PERIOD IN WHICH THE COORDINATION OF THESE ECONOMIC ISSUES, INCLUDING WHAT TRADITIONALLY HAS BEEN THE DOMESTIC, PURELY DOMESTIC POLICIES, IS INCREASINGLY IMPORTANT IN AN INTERNATIONAL CONTEXT, AND MEETINGS SUCH AS THIS ONE HELP ALL OF THE PARTICIPATING COUNTRIES TO LEARN HOW TO CONDUCT AND PERFECT THIS PROCESS. AND THIS MEETING WAS A VERY IMPORTANT STEP ALONG THIS WAY OF IMPROVING UPON IT.

--"IT IS THEREFORE PART OF AN ON-GOING PROCESS OF MEETINGS AND WE DID AT THIS MEETING I THINK ACHIEVE A BROAD FOUNDATION OF POLICY AGREEMENTS AMONG ALL OF THE OECD NATIONS UPON WHICH MEETINGS NEXT MONTH OF THE EUROPEAN COUNCIL IN BREMEN AND THE BONN SUMMIT CAN BE BUILT.

--"MORE SPECIFICALLY, WE ARE SATISFIED THAT THE FOLLOWING ACHIEVEMENTS OCCURED AT THIS MEETING: FIRST, AN AGREEMENT ON THE BROAD ELEMENTS OF UNCLASSIFIED

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A PROGRAM TO DEAL WITH THE MUTUAL PROBLEMS OF GROWTH, INFLATION, UNEMPLOYMENT, PAYMENT IMBALANCES, AND THE DEPENDENCE ON THE FOREIGN ENERGY SOURCES. SECOND, THE RENEWAL FOR ANOTHER YEAR OF THE OECD TRADE PLEDGE, FIRST AGREED UPON IN 1974. THIRD, AN AGREEMENT ON CRITERIA WHICH WILL GUIDE MEMBER GOVERNMENTS IN FORMULATING POLICIES FOR ADJUSTMENT TO STRUCTURAL CHANGES. AND FOURTH, AGREEMENT ON THE IMPORTANCE OF STRENGTHENING COOPERATION AMONG THE OECD MEMBERS IN THE DIALOGUE WITH THE DEVELOPING COUNTRIES INCLUDING SUCH KEY ELEMENTS AS A COMMITMENT TO AN OPEN MULTILATERAL TRADING SYSTEM. A READINESS TO ADJUST TO CHANGES IN THE PATTERN OF WORLD PRODUCTION AND TRADE. A DECISION TO EXAMINE THE USEFULNESS AND

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PRACTICALITY OF INCREASING INVESTMENT FLOWS TO THE
DEVELOPING COUNTRIES AND A REAFFIRMED INTENTION TO
INCREASE DEVELOPMENT AID FLOWS EFFECTIVELY AND
SUBSTANTIALLY. ALSO, A REAFFIRMATION OF THE IMPORTANCE
OF ALL MEMBER COUNTRIES, INCLUDING PARTICULARLY
THE U.S., OF ADOPTING AND IMPLEMENTING SOUND ENERGY
POLICIES, POLICIES WHICH WILL ENCOURAGE CONSERVATION
AND THE DEVELOPMENT OF ALTERNATIVE SOURCES OF
ENERGY. AND FINALLY, AGREEMENT ON THE IMPORTANCE
OF CONVENING A CONFERENCE AS SOON AS POSSIBLE TO
NEGOTIATE AN AGREEMENT TO PREVENT ILLICIT PAYMENTS
IN CONNECTION WITH INTERNATIONAL COMMERCIAL TRANS-
ACTIONS.

--"WE ALSO DISCUSSED, THE U.S. POINTED OUT, THE NEED
FOR IMPROVING UPON THE AGREEMENT WHICH WAS REACHED
IN THE OECD LAST FEBRUARY WITH REGARD TO LIMITATIONS
ON EXPORT CREDITS, AND ON THAT POINT WE MADE OUR
PROPOSAL IN THIS REGARD AND, AS THE COMMUNIQUE
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INDICATES, OTHER NATIONS NOTED IT, AND IN VIEW OF
THE SHORTNESS OF TIME WERE NOT ABLE TO RESPOND BUT WE
LOOK FORWARD TO THESE DISCUSSIONS AS SOON AS POS-
SIBLE SO THAT HOPEFULLY SOME AGREEMENT ON FURTHER
IMPROVEMENT CAN BE REACHED THIS YEAR.

--"I'LL BE HAPPY TO TAKE ANY QUESTIONS THAT YOU MAY HAVE, EITHER FOR ME OR FOR MR. SCHULTZE.

Q: CBS NEWS: CAN I ASK A QUESTION PREVIOUSLY ASKED AT THE OTHER PRESS CONFERENCE? WOULD THERE BE HOPE THAT THE RATHER VAGUE AND UNSPECIFIC PROMISES TO TAKE EXPANSIONARY ACTION WOULD BECOME MORE PRECISE IN THE BONN SUMMIT?

A: BLUMENTHAL: WELL, THEY WILL MOST CERTAINLY BE DISCUSSED AT THE BONN SUMMIT. AND I WOULD EXPECT THAT NATIONS WILL WISH TO EXPRESS THEMSELVES AS CLEARLY AS POSSIBLE AT THAT TIME. IT, OF COURSE, HAS A DIFFERENT MEMBERSHIP, LESS COUNTRIES ARE GOING TO BE THERE. AS I SAID EARLIER THIS MEETING IS A VERY USEFUL WAY STATION ON THE WAY TO BONN AND THESE CONSULTATIONS WILL HOPEFULLY BE HELPFUL TO ALL OF US IN DEFINING MORE PRECISELY OUR POSITIONS ON THIS QUESTION.

Q: CBS NEWS AGAIN: DEFINING MORE PRECISELY, WOULD YOU THINK OF QUANTITATIVE GOALS?

A: BLUMENTHAL: I DON'T THINK THERE WILL BE QUANTITATIVE GOALS. I THINK WHAT IS IMPORTANT IS THE RESULT THAT IS TO BE ACHIEVED RATHER THAN SPECIFIC QUANTITATIVE NUMBERS ONLY.

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Q: LONDON TIMES: LAST YEAR, YOU DID AGREE ON QUANTITATIVE GOALS AT THE OECD. WHY SHOULD WE THIS YEAR TAKE MORE SERIOUSLY THE VAGUER TARGETS YOU SET THAN THE SPECIFIC TARGETS YOU GAVE LAST YEAR?

A: BLUMENTHAL: I THINK THE PROCESS OF CONSULTATION THAT HAS OCCURED IN VARIOUS FORUMS, IN THE IMF MEETING MOST RECENTLY AND THEN AGAIN HERE TODAY, AND THE EXPERIENCE THAT WE HAVE ALL HAD, AND THE NECESSITY TO ADJUST OUR VARIOUS DOMESTIC PROGRAMS, HAS TAUGHT US THE IMPORTANCE OF AGREEING ON THE GENERAL OBJECTIVES THAT WE WISH TO ACCOMPLISH, AND OF FOCUSING ON THAT, AND ON THE KINDS OF PROBLEMS THAT STAND IN THE WAY, ACTIONS THAT NEED TO BE TAKEN, RATHER THAN ON TRYING TO AGREE ON SPECIFIC NUMBERS. WE FEEL THAT IF WE SPEND OUR EFFORTS MORE IN DEFINING THESE PROBLEMS AND IN WORKING ON THEM, THAT WE WILL GO FURTHER THAN IN TRYING TO DEFINE SPECIFIC GOALS AND TARGETS.

A: SCHULTZE: MAY I ADD TO THAT THAT LAST YEAR
MY RECOLLECTION WAS THAT THE TARGET WAS A NUMBER FOR,
AN AGGREGATE NUMBER FOR A GROUP OF TWENTY-ODD

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NATIONS WHICH IN ITSELF MAY MEAN NOTHING IN TERMS
OF SPECIFIC ACTIONS BY SPECIFIC NATIONS, WHEREAS IN
THE COMMUNIQUE ISSUED TODAY THERE WAS AT LEAST SPEC-
IFIC DIVISION AMONG NATIONS DOING ONE THING AND
NATIONS DOING ANOTHER.

Q: COULD WE COME BACK TO THAT, BECAUSE YOU
DO HIT EIGHT NATIONS--COULD WE ASK ANOTHER QUESTION
THAT WAS ASKED IN THE PREVIOUS PRESS CONFERENCE . . .
OF THOSE EIGHT COUNTRIES, COULD YOU TELL US IN WHICH
COUNTRIES MEASURES ARE NECESSARY AND ALSO WHAT WERE
THE APPROPRIATE MEASURES. IN OTHER WORDS, DID YOU
DISCUSS DETAILED MEASURES FOR THESE COUNTRIES?

A: BLUMENTHAL: WE DID NOT DISCUSS DETAILED
MEASURES FOR INDIVIDUAL COUNTRIES. WE DID POINT OUT
THAT, IN COUNTRIES IN WHICH THERE HAS BEEN SLOW
GROWTH, IN WHICH THERE IS A CAPACITY FOR FURTHER
GROWTH THIS SHOULD BE TAKEN INTO ACCOUNT. AND THAT

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OTHER COUNTRIES, THE U.S. FOR EXAMPLE, WHICH HAS GROWN RATHER SUBSTANTIALLY OVER THE PAST TWO YEARS, AND IN WHICH THERE WERE INFLATIONARY PRESSURES, THE PROBLEM OF STABILIZATION WAS THE MORE PREDOMINANT PROBLEM. BUT WE DID NOT DEFINE AMONG THE VARIOUS OECD MEMBERS EXACTLY WHERE EACH INDIVIDUAL COUNTRY FITTED IN.

Q: FIGARO: MAY I ASK YOU ABOUT PARAGRAPH 3, NUMBER 12, PAGE 5. THERE SEEMS TO BE SOME ELEMENT OF CONFLICT IN THE UNITED STATES AND CANADA'S POSITION AND OTHER PARTICIPANTS REGARDING GUIDELINES FOR EXPORT CREDITS. OTHER PARTICIPANTS WERE, I BELIEVE, NOT QUITE READY TO START RENEGOTIATING SOMETHING WHICH HAD BEEN NEGOTIATED NOT LONG AGO AND WANTED TO SEE HOW IT WORKED. HOW DO YOU SEE THIS PROBLEM. AND DO YOU THINK THERE IS A SORT OF AGREEMENT ALREADY FOR ANOTHER CONFERENCE TOWARD THE END OF THE YEAR?

A: BLUMENTHAL: WELL, I THINK THIS PARTICULAR PARAGRAPH--SUBPARAGRAPH THREE OF PARAGRAPH TWELVE SPEAKS FOR ITSELF. AS FAR AS THE UNITED STATES IS CONCERNED WE FELT THAT THE AGREEMENT CONCLUDED IN FEBRUARY WAS FINE AS FAR AS IT WENT, BUT THAT THERE WAS ALREADY EVIDENCE THAT IT WOULD BE USEFUL TO ENTER INTO NEGOTIATIONS FOR FURTHER SUBSTANTIVE IMPROVEMENT OF THE EXISTING ARRANGEMENTS. OTHER PARTICIPANTS DID NOT DISPUTE THIS, BUT THEY DID NOT FEEL IN A POSITION TO AGREE TODAY THAT A SPECIFIC NEW NEGOTIATION BE STARTED. THIS INDICATES, THEY DID POINT OUT, THAT THERE IS A REGULAR REVIEW WHICH COMES UP IN THE AUTUMN. WE FELT WE OUGHT TO GET TOGETHER AS SOON AS POSSIBLE. WE FEEL THAT THIS AREA OF EX-
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PORT CREDITS IS ONE THAT NEEDS TO BE REGULARIZED AS MUCH AS POSSIBLE FOR IT HAS THE POTENTIAL OF, POTENTIALLY DIVISIVE COMPETITION, AND WE THINK EVERYTHING NEEDS TO BE DONE TO AVOID THAT.

Q: MR. SECRETARY, IN THIS CONNECTION IN YOUR OPENING REMARKS YOU THREATENED SWIFT AND EFFECTIVE ACTION. COULD YOU ELABORATE ON THAT PLEASE?

A: BLUMENTHAL: WELL, I WAS REFERRING TO THE FACT THAT IN INSTANCES IN WHICH SOME COUNTRIES ENGAGE IN EXPORT CREDIT SUBSIDIZATION THAT GOES BEYOND THE EXISTING OECD GUIDELINES, OR THAT GOES AGAINST THE SPIRIT OF THOSE GUIDELINES, THE PRESSURE ON THE UNITED STATES THROUGH THE CONGRESS, AND ALSO BASED ON OUR OWN VIEWS IN THE EXECUTIVE BRANCH OF THE GOVERNMENT, TO INSURE THAT AMERICAN INDUSTRY IS NOT DISADVANTAGED BY THAT, IS SO SEVERE THAT I HAD TO TELL MY COLLEAGUES THAT WE WOULD HAVE TO MEET THOSE KINDS OF ADDITIONAL SUBSIDIZATIONS OF CREDIT TERMS WHERE THEY OCCUR. I, THEREFORE, FELT THAT RATHER THAN COUNTRIES INDIVIDUALLY ENGAGING IN THAT KIND OF COMPETITION, IT WAS BETTER FOR ALL OF US TO GET TOGETHER TO TRY TO ELABORATE ON THE ARRANGEMENT THAT HAS ALREADY BEEN NEGOTIATED.

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Q: MR. SECRETARY, AS FAR AS THE FEDERAL REPUBLIC OF GERMANY IS CONCERNED, ARE YOU SATISFIED BY THE ATTITUDE SHOWN BY THE FEDERAL GOVERNMENT, AND THE PROMISES GIVEN BY THE FEDERAL GOVERNMENT AT THIS CONFERENCE?

A: BLUMENTHAL: WELL, THIS WAS NOT A CONFERENCE AT WHICH INDIVIDUAL NATIONS MADE INDIVIDUAL SPECIFIC PROMISES. I AM SATISFIED THAT ALL OF THE COUNTRIES, INCLUDING OUR GERMAN COLLEAGUES, SHOWED A REMARKABLE DEGREE OF AGREEMENT, IN COMPREHENSION ON THE REQUIREMENTS FOR JOINT ACTION, AND AN INDICATION OF A WILLINGNESS TO CONSIDER WHAT EACH OF THEM SPECIFICALLY WOULD BE ABLE TO DO. I THINK THAT DID VERY MUCH APPLY TO OUR GERMAN COLLEAGUES. WE WILL HAVE TO SEE SPECIFICALLY HOW THAT WORKS OUT IN EACH INDIVIDUAL CASE.

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Q: THE OECD STUDY ON CONCERTED ACTION STATES THAT IT IS UNLIKELY THAT OECD COUNTRIES CAN REACH FULL EMPLOYMENT BY 1980 AND THEY CAN ONLY REACH IT BY 1985 IF THEY DECIDE TO EXPAND THEIR GROWTH RATES IN 1979 AND THEY CAN ONLY KEEP UNEMPLOYMENT WHERE IT IS BY REACHING A FOUR PERCENT GROWTH RATE. IF THE BONN SUMMIT ISN'T GOING TO COME OUT WITH ANY QUANTITATIVE TARGETS, WHAT KIND OF REASSURANCES ARE YOU GOING TO GIVE TO THE GROWING ARMIES OF THE UNEMPLOYED THAT THEY MAY GET SOME KIND OF JOB BEFORE 1990, FOR EXAMPLE?

A: SCHULTZE: IN THE FIRST PLACE, WHAT I THINK IS VERY IMPORTANT IS THAT AT THIS MEETING, THERE WAS ADOPTED A FRAMEWORK OF ACTION, NOT SPECIFIC TARGETS COUNTRY BY COUNTRY, BUT A FRAMEWORK OF ACTION IN WHICH ALL OF OUR COUNTRIES AGREED UPON THE NECESSITY OF TAKING THE ACTIONS NECESSARY TO BEGIN MOVING BACK TO FULL EMPLOYMENT. I THINK THE FACT THAT THIS WAS WIDELY RECOGNIZED, AGREED UPON WITHOUT A DISSENT, IS IN ITSELF VERY IMPORTANT, NOT ONLY TO THOSE OF US WHO DEAL IN ECONOMIC POLICY, BUT GENERALLY TO WORKERS AND OTHERS WHO EITHER ARE UNEMPLOYED OR THREATENED BY UNEMPLOYMENT. IT IS THAT AGREEMENT UPON THE PRINCIPLES OF ACTION, RATHER THAN SPECIFIC PROMISES COUNTRY BY COUNTRY, AS I BELIEVE THE SECRETARY GENERAL INDICATED EARLIER IN HIS RESPONSE TO A SIMILAR QUESTION, THAT WE ARE DEALING NOT JUST WITH CHANGES BETWEEN NOW AND THE END OF 1978 OR THE END OF 1979, BUT WE'RE MOVING ON A NUMBER OF FRONTS TO SEE THAT GROWTH CAN BE IMPROVED AND NOT ONLY IMPROVED IN THE SHORT RUN, BUT IMPROVED THOROUGH A NUMBER OF POLICIES ON A

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SUSTAINABLE BASIS. AND, AGAIN, FROM COUNTRIES WITH DIFFERENT INTERESTS AND DIFFERENT SITUATIONS THERE WAS REMARKABLE AGREEMENT ON THE KIND OF POLICIES THAT WE NEED. AND I THINK THAT WITHOUT TRANSLATING THAT INTO NUMEROLOGY, THIS ITSELF IS A VERY IMPORTANT DEVELOPMENT AND WILL, OVER TIME, BE TRANSLATED INTO SPECIFIC ACTIONS NEEDED TO MAKE IT WORK.

Q: COULD YOU EXPLAIN WHY THE UNITED STATES WAS DISCUSSED SEPARATELY AND AT WHOSE SUGGESTION THIS WAS DONE?

A: I DON'T THINK THAT THE UNITED STATES WAS DISCUSSED SEPARATELY PER SE. IT CLEARLY WAS DISCUSSED SEPARATELY AS REGARDS THE ENERGY QUESTION. THAT IS NOT AT ALL SURPRISING, FOR THE ENERGY LEGISLATION WHICH HAS BEEN PENDING IN THE CONGRESS FOR 14 MONTHS HAS ON MANY OCCASIONS, NOT ONLY IN THE UNITED STATES BY THE ADMINISTRATION, BUT ALSO BY MANY OF THE FOREIGN COUNTRIES, BEEN POINTED TO AS A VERY, VERY IMPORTANT FACTOR. AS YOU KNOW, THE OBJECTIVE OF THAT LEGISLATION IS TO REDUCE THE DEPENDENCE OF THE UNITED STATES ON IMPORTED ENERGY.

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THE ACHIEVEMENT OF THAT GOAL HAS AN IMPACT ON ALL COUNTRIES, AND, THEREFORE, THE INTERESTS OF OTHER COUNTRIES IN OUR PASSING OF THAT LEGISLATION AND THUS IN MOVING TOWARD ACHIEVING THAT GOAL IS OF GREAT IMPORTANCE. WE, ON OUR OWN, REPORTED ON THE PROGRESS THAT WE THINK IS BEING MADE IN THAT REGARD, AND WE KNEW BEFORE WE CAME HERE THAT WAS A MATTER WE WOULD BE QUESTIONED UPON AND ON WHICH WE WOULD HAVE TO COMMENT ON THE PART OF MANY COUNTRIES WHO WANTED TO PURSUE THIS.

Q: WAS THIS THE OUTSTANDING PROBLEM REGARDING THE UNITED STATES AT THIS CONFERENCE?

A: BLUMENTHAL: I DON'T THINK THAT'S THE OUTSTANDING PROBLEM. THE OTHER PROBLEM THAT ALSO WAS MENTIONED WAS THE RATE OF INFLATION IN THE UNITED STATES. AND, AGAIN, WE WERE ABLE TO POINT TO THE POLICIES WHICH HAVE BEEN PUT INTO EFFECT IN THE UNCLASSIFIED

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UNITED STATES AND WHICH ARE NOW BEING IMPLEMENTED TO INSURE THAT THE RATE OF INFLATION IS BROUGHT UNDER BETTER CONTROL AND THAT A DECELERATION IN THE RATE OF INCREASE OF PRICES OCCURS.

Q: WHAT SPECIFIC AREAS OR ACTIONS OR PROGRAMS IN THE U.S. HAS THE U.S. IDENTIFIED AS FALLING WITHIN THE RESTRICTED PROGRAMS THAT MIGHT BE DEALT WITH IN THE POSITIVE ADJUSTMENT POLICY? HAVE WE IN FACT GOT TO THE POINT OF SAYING THAT WE HAVE SOME THAT WE MIGHT BE ABLE TO TAKE CARE OF AS WELL AND IF SO, ARE THOSE THE SORT OF THINGS THAT CAN BE DONE UNILATERALLY OR ARE BILATERAL OR MULTILATERAL NEGOTIATIONS REQUIRED FOR THAT?

A: BLUMENTHAL: IN THE CASE OF THE UNITED STATES, WE HAVE, FIRST OF ALL, THE MAJOR POLICIES THAT WE MUST FOLLOW ARE THOSE OF CONTAINING INFLATION AND DEALING WITH THE ENERGY PROBLEM. SECONDLY, WE HAVE IN PLACE A SERIES OF PROGRAMS, INCLUDING ADJUSTMENT ASSISTANCE, THE EXPANDED ADJUSTMENT ASSISTANCE, IN ORDER TO INSURE THAT WORKERS ARE RETRAINED WHO LOSE THEIR JOBS IN DECLINING INDUSTRIES AND THAT A PERIOD OF TRANSITION

IS PROVIDED, SO THAT FOR INDUSTRIES THAT ARE IN
DIFFICULTY, SO THAT INCREASING EFFICIENCY CAN BE
ACHIEVED IN THESE INSTANCES IN THE UNITED STATES.
AS FAR AS OUR COUNTRY IS CONCERNED, THESE ARE THE
PRINCIPAL KINDS OF PROGRAMS THAT WE WOULD RESORT
TO.

Q: (NBC NEWS):MR.BOSWORTH OF THE COUNCIL OF WAGE AND
PRICE STABILITY FORECAST A RECESSION UNLESS SOMETHING
IS DONE ABOUT INFLATION THIS YEAR. NOW I REALIZE
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THAT PEOPLE WHO HOLD THE JOB THAT HE DOES ARE
INFAMOUS FOR HOLDING PESSIMISTIC VIEWS. BUT IN YOUR
OWN VIEW, IS THERE ANY CHANCE OF A RECESSION IN THE
NEAR FUTURE IF INFLATION IS UNIMPEDED?

A:(SCHULTZE):YES. THAT'S THE NICE SHORT ANSWER.LET ME
ELABORATE A LITTLE BIT. IN THE FIRST FOUR MONTHS OF
THIS YEAR, CONSUMER PRICES IN THE U.S. WERE RISING
APPROXIMATELY, ALMOST TEN PER CENT A YEAR. FIRST, WE
THINK IT IS VERY LIKELY THAT THAT RATE OF INFLATION
WILL BE BROUGHT DOWN BECAUSE IT HAS A NUMBER OF
TEMPORARY FACTORS IN IT. SECONDLY, IN THE LONGER RUN,
LOOKING THEN BEYOND 1979 AND 1980 THAT UNLESS WE CONTROL
THE RATE OF INFLATION, FIRST TO PREVENT IT FROM
ACCELERATING, THAT IS TO GET THE ADVANTAGE OF THOSE
TEMPORARY FACTORS COMING OFF WHICH WILL BRING US
DOWN TO A LOWER RATE OF INFLATION, AND THEN PREVENT

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IT FROM ACCELERATING, IF WE DON'T DO THAT, I THINK THEN ONE MUST TAKE VERY SERIOUSLY THE POSSIBILITY OF RISING INTEREST RATES AND REDUCED CONFIDENCE TO THE POINT WHERE THE POSSIBILITY OF AT LEAST A GROWTH RECESSION BECOMES POSSIBLE, IF NOT SOMETHING EVEN MORE THAN THAT. SO I WOULD AGREE WITHOUT TRYING TO PUT NUMBERS ON IT THAT IT IS VERY, VERY IMPORTANT TO CONTROL INFLATION, NOT JUST FOR THE SAKE OF CONTROLLING INFLATION, BUT LITERALLY, TO AVOID THROUGH THE MONETARY SYSTEM AND THROUGH THE EFFECT ON CONFIDENCE, TO AVOID A GROWTH RECESSION AND EVEN WORSE. I THINK IT'S VERY IMPORTANT THAT WE DO THIS IN A WAY--AND WE THINK IT IS POSSIBLE TO DO IT IN A WAY--WHICH MAINTAINS MODERATE GROWTH, THAT KEEPS THE ECONOMY MOVING FORWARD BUT DOES IT RESPONSIBLY AND IN COORDINATION WITH POLICIES OF GOVERNMENTAL ACTION AND VOLUNTARY DECELERATION. ELABORATING ON THAT SHORT ANSWER, YES, IT IS A PROBLEM WE HAVE TO WORRY ABOUT. IT IS VERY IMPORTANT TO BRING INFLATION DOWN. WE THINK WE HAVE A PROGRAM TO DO IT.
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WE HAVE BEGUN TO GET COOPERATION FROM A NUMBER OF FIRMS IN DECELERATING THEIR PRICES. QUITE FRANKLY, NEXT WE NEED TO MAKE SURE WE GET COOPERATION FROM LABOR IN THE MAJOR CONTRACTS WHICH WILL BE COMING UP LATER THIS YEAR, BUT PARTICULARLY IN L979 IN ORDER TO ACHIEVE THAT OBJECTIVE.

Q: WHAT TIME FRAME ARE YOU TALKING ABOUT? ARE YOU SAYING IT IS POSSIBLE BY THE END OF THE YEAR?

A:(SCHULTZE): NO, I'M NOT TRYING TO PUT IT INTO A TIME FRAME. I'M TRYING TO MAKE THE GENERAL POINT WITHOUT TRYING TO FORECAST THE SPECIFIC TIME. THERE IS A RELATIONSHIP BETWEEN CONTROLLING INFLATION AND KEEPING GROWTH GOING. BUT I CAN'T PUT A TIME ON IT. I THINK THERE'S NOT SOMETHING I'M TALKING ABOUT L980 OR L98L. I'M TALKING ABOUT CLOSER TO HOME THAN THAT. BUT I'M NOT TALKING NEXT MONTH OR NECESSARILY SEPTEMBER. BUT IT IS SOMETHING OVER THE MEDIUM TERM WE DO HAVE TO

WORRY ABOUT. MY COLLEAGUES BOTH WARN ME I SHOULD MAKE IT CLEAR I AM NOT FORECASTING A RECESSION. I AM MAKING A CONDITIONAL POINT THAT IN ORDER TO KEEP GROWTH GOING IN THE U.S. IT IS NECESSARY TO CONTROL INFLATION.

Q: (NBC NEWS): WOULD YOU NOTE THAT THERE IS A POSSIBILITY OF RECESSION IF INFLATION CONTINUES?

A: (SCHULTZE): IF INFLATION IS NOT CONTROLLED.

Q: (L.A. TIMES): MAY I ASK A GENERAL FOLLOW-UP? IN VIEW OF THE DISCUSSION THE LAST FEW DAYS, WHAT KIND OF GENERAL ASSESSMENT ARE WE GOING TO HAVE OF THE ECONOMIC OUTLOOK FOR THE OECD AS A WHOLE BY THE TIME YOU MEET NEXT JUNE?

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A: (BLUMENTHAL): I WOULD SAY THAT THE DEGREE OF CONSENSUS THAT HAS BEEN DEVELOPED THROUGH VARIOUS MEETINGS, AND SPECIFICALLY HIGHLIGHTED AT THIS MEETING, THAT CONCERTED, COORDINATED ACTION ON A VARIETY OF FRONTS IS NEEDED BY DIFFERENT COUNTRIES DEPENDING ON THEIR INDIVIDUAL CIRCUMSTANCES, IN SOME INSTANCES TO CONTROL INFLATION AND TO MAKE THAT A PRIORITY, IN OTHER INSTANCES TO INSURE ADEQUATE AND ACCELERATED GROWTH. AT THE SAME TIME, THE COMMITMENT WHICH HAS NOT BEEN MENTIONED HERE THIS EVENING BUT WHICH IS VERY IMPORTANT OF EVERYBODY --ALL OF THE OECD NATIONS, TO INSURE A SIGNIFICANT RESULT IN THE TRADE NEGOTIATIONS, SO AS TO COUNTERACT ANY TENDENCIES TOWARD PROTECTIONISM, AND TO PROMOTE INCREASING WORLD TRADE, THAT ALL OF THESE THINGS TOGETHER WOULD INDICATE THAT THE RECOVERY WHICH WE HAVE SEEN SINCE THE LAST TIME WE MET, IN THE OECD COUNTRIES WILL CONTINUE AND WILL CONTINUE AT A FASTER RATE THAN WOULD BE THE CASE IN THE ABSENCE OF THIS KIND OF CONSENSUS AND THIS KIND OF CONCERTED ACTION. I THINK, THEREFORE, THAT ONE OF THE GENERAL POINTS THAT ONE COULD MAKE ABOUT THE RESULT OF THIS MEETING IS THAT THIS CONSENSUS GIVES ONE GOOD CONFIDENCE THAT THERE WILL BE A DEGREE OF ACCELERATED GROWTH, THAT THERE WILL BE COOPERATION IN CONTROLLING INFLATION AND IN CONTINUED, THEREFORE, STABILITY IN THE EXCHANGE MARKETS, AND IN THIS WAY, GENERAL ECONOMIC CONDITIONS HAVE A GOOD CHANCE OF IMPROVING.

Q: THANK YOU, MR. SECRETARY.
LEVINE

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